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Producers 88 (4-89) - Paid-Up  
With 640 Acres Pooling Provision

**PAID UP OIL AND GAS LEASE**

**THIS LEASE AGREEMENT** is made as of the 24 day of March 2008, between Joseph R. & Judy L. Rich, whose mailing address is 405 Mountainview Drive, Hurst, Texas 76054-2917 and DAVID H. ARRINGTON OIL & GAS, INC., whose mailing address is: P. O. Box 2071, Midland, TX, 79102.

All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

**0.2296 acres, more or less, Lot 6, Block 1, Cresthaven Addition, an addition to the City of Euless, Tarrant County, Texas, according to the plat thereof recorded in Volume 388-Z, Page 17, Plat Records, Tarrant County, Texas. Also, being part of the A.M. Downen Survey, Abstract 415, and more fully described in that certain Warranty Deed, dated April 7, 1983 from DFW Steel, Inc., Grantor, to Joseph R. & Judy L. Rich, Grantee, Recorded in Instrument number D183327816, Deed Records, Tarrant County, Texas.**

In the County of TARRANT, State of TEXAS containing 0.2296 gross acres of land more or less including (a) any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise and; (b) all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys although not included within the boundaries of the land particularly described above, for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non-hydrocarbon substances produced in association therewith. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This Lease, which is a paid-up lease requiring no rentals, shall be in force for a primary term of FIVE (5) year(s) from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this Lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be 23.00% of such production, to be delivered at Lessee's option to Lessor's credit at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be 23.00% of the proceeds realized by Lessee from the sale less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be

producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit or its successors at **Lessors above address**, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the U.S. Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this

lease shall remain in force so long as any one and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as

expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such

pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those above specified, for the drilling, operation or production of a well or for obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. For the purpose of the foregoing, the terms "oil well"

and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment, and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

Signature

Signature

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties

hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between

Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized therewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or

ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at anytime to remove its fixtures, equipment and materials, including well casing, from the leased premises

or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for

breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted. In the event a governmental agency withholds or fails to issue, any or all permits and/or approvals necessary for Lessee to timely commence drilling operations upon all or part of the lands covered by this Lease, or lands pooled therewith, the primary term and/or drilling commitment contained in this Lease, as the case may be, shall be extended until sixty (60) days from the date such permits and/or approvals are issued by said governmental agency.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease

or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished

satisfactory evidence that such claim has been resolved.

15. Notwithstanding anything hereof to the contrary, if, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, and such well has been drilled into the Barnett Shale Formation that is not capable of being fraced or completed due to a lack of a pipeline connection, then the shut-in royalty provisions of Paragraph 4 of this lease shall apply whether or not such well is capable of producing oil or gas and whether or not such well is capable of producing oil and gas in commercial quantities.

16. By the execution of this Lease, the Lessor does hereby appoint and designate Lessee, its successors and assigns, its attorneys-in-fact, solely for the purposes of allowing the Lessee to contact the Lessor's lender or mortgagor (if any) on behalf of the Lessor to obtain a Lease Subordination Agreement of Lessor's mortgage on the leased premises to Lessee's Oil and Gas Leases or some other similar agreement. Lessee will mail a copy of the executed and recorded Lien Subordination Agreement or similar agreement when finalized. When the Lessee has finalized its Lien Subordination Agreement or similar agreement with the Lessor's lender or mortgagor, this limited power-of-attorney herein granted to the Lessee shall in all respects terminate and be revoked.

Signature

*Joseph R. Rich*

Signature

*Judy L. Rich*

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

**Lessor (Whether One or More)**

**SS NO. OR TAX ID**

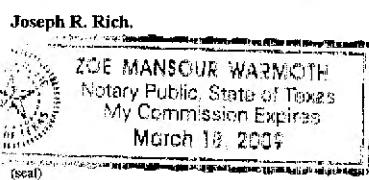
Joseph R. Rich  
Joseph R. Rich

Judy L. Rich  
Judy L. Rich

\*\*\*\*\*  
**ACKNOWLEDGEMENT**

STATE OF Texas  
COUNTY OF Brazos

This instrument was acknowledged before me on the 24<sup>th</sup> day of March, 2008, by:

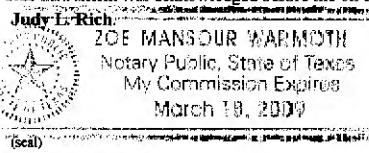


Z. Warmoth  
Notary Public, State of Texas

\*\*\*\*\*  
**ACKNOWLEDGEMENT**

STATE OF Texas  
COUNTY OF Brazos

This instrument was acknowledged before me on the 24<sup>th</sup> day of March, 2008, by:



Z. Warmoth  
Notary Public, State of Texas

\*\*\*\*\*  
**ACKNOWLEDGEMENT**

EXHIBIT "A"

ATTACHED TO AND MADE A PART HEREOF that certain Paid Up Oil and Gas Lease dated March 24, 2008, by and between Joseph R. & Judy L. Rich, as Lessor, and DAVID H. ARRINGTON OIL & GAS, INC., as Lessee; and in the event of conflict with the provisions of the standard form then it is expressly understood, agreed and provided by and between Lessor and Lessee that the following terms, covenants, conditions, provisions and limitations shall prevail and control over any other provisions in this Lease to the contrary, To-Wit:

17. No surface operations will be conducted on the "Leased Premises" however, Lessee may produce oil, gas and other minerals from the lease premises by directional drilling from a surface location on other lands or by exercising the rights set forth in Paragraph 6 above, but, notwithstanding any other provisions of this lease, Lessee agrees that the subsurface easement shall commence at and continue below the depth of one hundred feet (100').  
Lessee will, however, allow seismic operations to be conducted on the "Leased Premises".
18. Lessee shall not dispose of any salt water in on or under Leased premises. There shall be no salt water disposal wells on leased premises. Furthermore, all salt water produced from leased premises must be removed by Lessee.
19. Lessee will bury all pipelines not less than 36 inches below the surface. Anything in this lease to the contrary notwithstanding, lessee may transport third party gas on and across the leased premises
20. Lessee will, protect, defend, indemnify and save Lessor harmless from and after the effective date of this lease from any and all losses, claims, causes of action and demands of any kind or character arising from and after the effective date of this lease, in favor of any person or entity for any reason whatever, directly relating to or incidental to Lessees operations on the leased premises.
21. Hunting or fishing on the leased premises or Lessor's adjoining lands is prohibited by Lessee, and Lessee agrees to see to it that none of its employees or sub-contractors hunts, fishes, or carries firearms on the land covered by this lease or the Lessor's adjoining lands. No alcohol or any illegal drug shall be allowed on the property.
22. It is understood and agreed that this lease covers and includes oil and gas only (including with oil and gas, all constituent elements thereof and all other liquid or liquefiable hydrocarbons and products of every kind or character derived there from and produced therewith, including sulphur), and that all minerals other than oil and gas are excepted herefrom and reserved to Lessor. Including among the minerals reserved to Lessor and excluded from this lease are coal, uranium and lignite.
23. Lessee or the purchaser of oil and/or gas or other products produced from the leased premises will pay to the Lessor the royalties provided for herein within the time provided in Section 91.402 of the Natural Resources Code of the State of Texas and upon failure to pay within the stated time to pay interest thereon as provided in Section 91.403 of the Natural Resources Code of the State of Texas. Furthermore, Lessee agrees not to withhold any royalty due Lessor under this lease because of title problems which may exist under acreage in which Lessor does not own an interest. Notwithstanding royalty on initial production shall be due within one hundred twenty (120) days.
24. This lease shall not be kept in force by the payment of shut-in gas royalties as provided in Paragraph 3 of this lease for a period in excess of three (3) years in the aggregate. Lessee agrees to pay Lessor a minimum shut-in royalty of \$25.00 per acre per year as shut-in royalty.
25. To preserve the confidentiality of the terms and provisions hereof, Lessor and Lessee agree to withhold this lease from record, however, this Lease will be identified in a Memorandum of Oil, Gas and Mineral Lease that is being executed contemporaneously herewith and will be filed in the Tarrant County records.
26. That Lessee shall be solely responsible for full compliance with all rules and regulations of the Texas Railroad Commission of Texas, or any governmental agency, in all of its operations on the leased premises or lands pooled therewith and especially including the proper plugging of any well to be abandoned and does hereby indemnify and agree to hold Lessor harmless against any such rules or regulations.

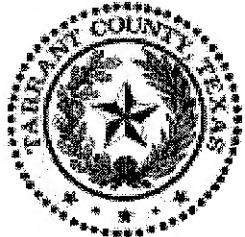
Joseph R. Rich

Judy L. Rich

SIGNED FOR IDENTIFICATION:

Joseph R. Rich  
Joseph R. Rich

Judy L. Rich  
Judy L. Rich



DAVID ARRINGTON OIL & GAS  
6100 WESTERN PLACE #800

FT WORTH TX 76107

Submitter: DAVID ARRINGTON OIL & GAS

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

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By: \_\_\_\_\_



**D208379135**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
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